Appendix A:

Vestas' Disclosures of Its Accounting for Supply-and-Installation Contracts

2008 Annual Report, issued on February 11, 2009 [Ex. 12]:

Page 54, Income Statement:

Revenue

. . . .

Contracts to deliver large wind power systems with a high degree of customisation are recognised in revenue as the systems are constructed based on the *stage of completion* of the individual contract (turnkey and *supply-and-installation projects*). . . . Sale of individual wind turbines and small wind power systems based on standard solutions (supply-only projects) as well as spare parts sales are recognised in the income statement4 provided that the risk has been transferred to the buyer prior to the year end, and provided that the income can be measured reliably and is expected to be received. [Emphasis added]

Page 59, Critical judgements:

Use of percentage-of-completion method

Management performs critical accounting estimates in connection with income-recognition. Provided that certain criteria in respect of project complexity, etc. are met, revenue from projects in progress is recognised under the *percentage-of-completion* method corresponding to the selling price of the work performed based on the *stage of completion* (turnkey and *supply-and-installation projects*). Where projects do not qualify for recognition under the percentage-of-completion method, total revenue is not recognised until the point in time when the risk is transferred to the buyer (supply-only projects). [Emphasis added]

First-Quarter 2009 Interim Report, issued on April 28, 2009 [Ex. 13]:

Pages 3-4:

For 2009, supply-only orders, in which Vestas only supplies the wind turbines, are expected to represent a higher share of revenue than in 2008, when these orders accounted for just over 30 per cent. The rising proportion reduces the underlying operating risk, but increases quarter-on-quarter fluctuations in revenue and EBIT as revenue from this type of order is not recognised until the turbines have been delivered. In *supply-and-installation and turnkey projects*, revenue from the orders is *recognised as the work is performed*, and for accounting purposes this provides a more balanced income flow even though the orders are more complex than supply-only orders. [Emphasis added]

Perkins Coie LLP
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Phone: 503.727.2000
Fax: 503.727.2222

Page 20:

Accounting policies

. . . .

Apart from the effect of new IFRS/IAS implemented in the period, the accounting policies are unchanged from those applied to the Annual Report for 2008 prepared under the International Financial Reporting Standards (IFRS) approved by the EU. Reference is made to pages 52-58 of the annual report for 2008 for a complete description of the Group's accounting policies.

Second-Quarter 2009 Interim Report, issued on August 18, 2009 [Ex. 14]:

Page 3:

For 2009, supply-only orders, in which Vestas only supplies the wind turbines, are expected to represent slightly more than 30 per cent of revenue as in 2008. . . . The rising proportion reduces the underlying operating risk, but increases quarter-on-quarter fluctuations in revenue and EBIT as revenue from this type of order is not recognised until all the turbines have been delivered. In *supply-and-installation and turnkey projects*, revenue from the orders is *recognised as the work is performed*, and for accounting purposes this provides a more balanced income flow. [Emphasis added]

Page 23:

Accounting policies

. . . .

Apart from the effect of new IAS /IFRS implemented in the period, the accounting policies are unchanged from those applied to the Annual Report for 2008 prepared under the International Financial Reporting Standards (IFRS) approved by the EU. Reference is made to pages 52-58 of the annual report for 2008 for a complete description of the Group's accounting policies.

Third-Quarter 2009 Interim Report, issued on October 27, 2009 [Ex. 15]:

Page 4:

Vestas operates with three types of contracts: "supply-only", "supply-and-installation" and "turnkey". For 2009, supply-only orders, in which Vestas only supplies the wind turbines, are expected to represent about 30 per cent of revenue as in 2008. . . . This growing proportion reduces the underlying operating risk, but increases quarter-on-quarter fluctuations in revenue and EBIT as this type of order is not recognised as revenue until all the turbines have been delivered. . . . In *supply-and-installation* orders, in which Vestas is responsible for installing and connecting the turbines to the power grid, and in turnkey orders, in which Vestas is responsible for the entire project

Perkins Coie LLP
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Phone: 503.727.2000
Fax: 503.727.2222

including all engineering works, revenue from the orders is *recognised as the work is performed*, which provides a more balanced income flow. However, the underlying operating risk is considerably higher than it is for supply-only orders. [Emphasis added]

Page 26:

Accounting policies

. . . .

Apart from the effect of new IAS /IFRS implemented in the period, the accounting policies are unchanged from those applied to the Annual Report for 2008 prepared under the International Financial Reporting Standards (IFRS) approved by the EU. Reference is made to pages 52-58 of the annual report for 2008 for a complete description of the Group's accounting policies.

<u>2009 Annual Report, issued on February 10, 2010 [Ex. 16]</u>:

Page 25, Income statement

Revenue

. . . .

Vestas operates with three types of contracts: "supply-only", "supply-and-installation" and "turnkey". The underlying operating risk is lowest when dealing with supply-only orders, but they do, however, increase quarter-on-quarter fluctuations in revenue and EBIT as this type of order is not recognised as revenue until the turbines have been delivered according to the contractual terms.

. . . . Revenue from *supply-and-installation* and turnkey orders, in which Vestas is responsible for installing and connecting the turbines to the power grid and for the entire project including all engineering works, respectively, is *recognised as the work is performed*, which provides a more balanced income flow. [Emphasis added]

Page 73, Income Statement:

Revenue

. . . .

Contracts to deliver large wind power systems with a high degree of customisation are recognised in revenue as the systems are constructed based on the *stage of completion* of the individual contract (turnkey and *supply-and-installation projects*). . . . Sale of individual wind turbines and small windpower systems based on standard solutions (supply-only projects) as well as spare parts sales are recognised in the income statement provided that the risk has been transferred to the buyer prior to the year end, and provided that the income can be measured reliably and is expected to be received. [Emphasis added]

Perkins Coie LLP
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Phone: 503.727.2000
Fax: 503.727.2222

Page 78, Critical Judgements:

Use of percentage-of-completion method
Management performs critical accounting estimates in connection with income-recognition. Provided that certain criteria in respect of project complexity, etc. are met, revenue from projects in progress is recognised under the *percentage-of-completion method* corresponding to the selling price of the work performed based on the *stage of completion* (turnkey and *supply-and-installation projects*). [Emphasis added]

<u>First-Quarter 2010 Interim Report, issued on April 28, 2010 [Ex. 19]</u>:

Page 3:

Vestas operates with three types of contracts: "supply-only", "supply-and-installation" and "turnkey". The underlying operating risk is lowest when dealing with supply-only orders, but they do, however, increase quarter-on-quarter fluctuations in revenue and EBIT as this type of order is not recognised as revenue until the turbines have been delivered according to the contractual terms.

. . . . Revenue from *supply-and-installation and turnkey orders*, in which Vestas is responsible for installing and connecting the turbines to the power grid and for the entire project including all engineering works, respectively, is *recognised as the work is performed*, providing a more balanced income flow. The trend towards a higher degree of complexity raises the access barriers, but the underlying operating risk is higher than it is for supply-only orders. [Emphasis added]

Page 24:

Accounting policies

. . . .

Apart from the effect of new IFRS/IAS implemented in the period, the accounting policies are unchanged from those applied to the Annual Report for 2009 prepared under the International Financial Reporting Standards (IFRS) approved by the EU. Reference is made to pages 71-77 of the annual report for 2009 for a complete description of the Group's accounting policies.

<u>Second-Quarter 2010 Interim Report, issued on August 18, 2010 [Ex. 21]</u>:

Page 3:

Vestas operates with three types of contracts: "supply-only"; "supply-and-installation" and "turnkey." The underlying operating risk is lowest when dealing with supply-only orders, but they may increase quarter-on-quarter fluctuations in revenue and EBIT as these types of orders are not recognised

Perkins Coie LLP
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Phone: 503.727.2000
Fax: 503.727.2222

as revenue until the turbines have been delivered according to the contractual terms and risk has been transferred.

. . . . Revenue from *supply-and-installation and turnkey orders*, in which Vestas is responsible for installing and connecting the turbines to the power grid and for the entire project including all engineering works, respectively, is *recognised as the work is performed*, providing a more balanced income flow, but the underlying operating risk is higher than for supply-only orders. [Emphasis added]

Page 24:

Accounting policies

. . . .

Apart from the effect of new IFRS/IAS implemented in the period, the accounting policies are unchanged from those applied to the annual report for 2009 prepared under the International Financial Reporting Standards (IFRS) approved by the EU. Reference is made to pages 71-77 of the annual report for 2009 for a complete description of the Group's accounting policies.

<u>Third-Quarter 2010 Interim Report, issued on October 26, 2010 [Ex. 22]</u>:

Page 2:

Accounting policies

After IFRIC 15 coming into force on 1 January 2010, Vestas' Board and auditors have evaluated that the Group should consider changing accounting policies for supply-and-installation contracts so that the treatment of these will be in accordance with the existing draft for IFRS' standard regarding recognition of revenue. This will imply that in future supply-and-installation projects will be recognised as revenue in the income statement when the risk has been transferred to the buyer. *Supply-and-installation projects are currently recognised in line with construction based on the rate of completion of each project*. Following a potential change in accounting policies, such projects would be recognised in the same way as the Group's supply-only projects. Supply-only projects, which solely include supply of wind turbines, are still recognised at delivery and transfer of risk to the customer. [Emphasis added]

Page 4:

Vestas operates with three types of contracts: "Supply-only," "supply-and-installation" and "turnkey". . . . Supply-only orders increase quarter-on-quarter fluctuations in revenue and EBIT as these types of orders are only recognised as revenue when the turbines have been delivered according to the contractual terms, and risk has been transferred. . . .

Perkins Coie LLP
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Phone: 503.727.2000
Fax: 503.727.2222

> If accounting policies are changed, supply-and-installation orders . . . will be recognised as revenue when the final risk is transferred to the customers as is the case for supply-only orders. Turnkey projects will continue to be recognised as income as the work is performed and the projects are completed.

Page 27:

> Accounting policies
>
> . . . .
>
> Apart from the effect of new IFRS/IAS implemented in the period, the accounting policies are unchanged from those applied to the annual report for 2009 prepared under the International Financial Reporting Standards (IFRS) approved by the EU. Reference is made to pages 71-77 of the annual report for 2009 for a complete description of the Group's accounting policies.

Perkins Coie LLP
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Phone: 503.727.2000
Fax: 503.727.2222

Appendix B:

Plaintiffs' Allegations of False or Misleading Statements During Class Period

(a) Vestas' February 11, 2009 statement in its 2008 annual report that, "[o]n preliminary assessment Vestas correctly classifies its contracts . . . ." [FAC ¶¶ 58-59; Ex. 12 at 93]

(b) Vestas' April 28, 2009 statement in its first-quarter 2009 interim report that IFRIC 15 "would be implemented" (the Complaint misquotes this phrase as saying "will be implemented") following its endorsement by the European Commission. [FAC ¶ 62; Ex. 13 at p. 20]

(c) Vestas' August 18, 2009 statement in its second-quarter 2009 interim report that implementation of IFRIC 15 was "not expected to have a material effect" on Vestas' financial statements. [FAC ¶¶ 66-67; Ex. 14 at 23]

(d) Vestas' October 27, 2009 statement in its third-quarter 2009 interim report that IFRIC 15 "does not have a material effect," and Vestas' alleged failure to disclose IFRIC 15's expected impact. [FAC ¶¶ 70-71; Ex. 15 at 26]

(e) Vestas' October 27, 2009 statement in its third-quarter 2009 interim report that Vestas "expects to achieve" EBIT and revenue results in 2010 within specified ranges. [FAC ¶¶ 72-73; Ex. 15 at 1]

(f) Vestas' February 10, 2010 disclosure in its 2009 annual report concerning the objectives of IFRIC 15, and Vestas' alleged failure to disclose a purportedly required statement of IFRIC 15's expected impact. [FAC ¶¶ 76-77; Ex. 16 at 112]

(g) Mr. Engel's February 10, 2010 statement in a conference call with investors that "we expect the [2010] revenue to be around seven billion [euros] . . . with an EBIT margin of 10 to 11[%] . . . ." [FAC ¶¶ 78-79; Ex. 17 at 6]

(h) Vestas' April 26, 2010 statement in a press release announcing a new EDP order that the new order "does not affect Vestas' expectations for 2010." [FAC ¶¶ 82-83; Ex. 18 at 2]

(i) Vestas' April 28, 2010 statements in its first-quarter 2010 interim report that Vestas "implemented" IFRIC 15 but "evaluates [the interpretation] not to be relevant" to Vestas. [FAC ¶¶ 85-87; Ex. 19 at 24]

(j) Vestas' April 28, 2010 report of revenue and earnings figures from its first-quarter 2010 interim report. [FAC ¶ 88; Ex. 19 at 2]

(k) Vestas' April 28, 2010 statement in its first-quarter 2010 interim report regarding its expected revenue and earnings guidance for 2010. [FAC ¶¶ 85, 89; Ex. 19 at 2]

Perkins Coie LLP
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Phone: 503.727.2000
Fax: 503.727.2222

(l) Mr. Engel's April 28, 2010 statement in an interview reiterating Vestas' expected earnings guidance for 2010. [FAC ¶¶ 90-91]

(m) Vestas' July 21, 2010 statement in a press release announcing a new Terra-Gen order that the new order "does not affect Vestas' expectations for 2010." [FAC ¶¶ 93-94; Ex. 20 at 2]

(n) Vestas' August 18, 2010 report of revenue and earnings figures from its second-quarter 2010 interim report. [FAC ¶¶ 98-99; Ex. 21 at 2]

(o) Vestas' October 26, 2010 report of revenue and earnings figures in its third-quarter 2010 interim report. [FAC ¶ 102; Ex. 22 at 2]

Perkins Coie LLP
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Phone: 503.727.2000
Fax: 503.727.2222